



Memorandum from the Office of the Inspector General

June 13, 2006

John E. Long, Jr., WT 7B-K

FINAL INSPECTION REPORT 2006-516I – BLUECROSS BLUESHIELD OF TENNESSEE (BCBST) DENTAL CLAIM ADJUDICATION

We performed a limited scope review to determine if claims are being adjudicated in accordance with the provisions of the Tennessee Valley Authority (TVA) Dental Benefit Plan which is administered by BCBST. For the two months reviewed, TVA paid \$513,476 in total claims. While the majority of claims reviewed were adjudicated properly by BCBST, we did identify an adjudication error associated with charges for preventive services. TVA Employee Benefits had also discovered the error and subsequently addressed the issue with BCBST. We also identified an opportunity for improvement pertaining to claims involving coordination of benefits with other insurance companies.

BACKGROUND

For the period of January 2005 through December 2005, TVA paid \$9.2 million in claims and administrative fees to CIGNA pertaining to the TVA Dental Benefits Plan. As of January 1, 2006, TVA entered into a new contract with BCBST for dental plan administration. The level of benefits provided did not change with the switch to a new dental plan administrator.

There are three levels of benefit coverage available under the TVA dental plan.

- Option 1 provides coverage as follows:
 - 100 percent coverage for all preventive services;
 - 80 percent for all basic services;
 - 60 percent for all major services;
 - A \$2,000 annual per person limit.
- Option 2 has the same coverage for basic and major services as Option 1. However, Option 2:
 - Also covers 50 percent of orthodontia services;
 - Covers only 80 percent of preventive services;
 - Has a reduced annual per person limit of \$1,200.
- Option 3 is the same as Option 2 with the exception that orthodontia services are not covered.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine if claims are being adjudicated in accordance with the TVA Dental Benefit Plan provisions. To achieve our objective, we:

- Verified data integrity in the dental claims file provided by BCBST.
- Verified that the dental plan coverage data in the dental claims file provided by BCBST matched the data in the TVA Human Resource Information System benefits tables.
- Tested the dental claims to identify whether they are being adjudicated in compliance with the benefit plan.
 - A payment test was performed by taking the amount charged and subtracting (1) the coinsurance (amount the employee paid), (2) amounts BCBST paid for TVA claims, and (3) disallowed charges. The result should have been zero showing that the claim had been paid entirely.
 - An adjudication test was performed by comparing the actual coinsurance paid by plan participants to the amount of coinsurance that should have been paid based on the 2006 Employee Benefits Plan provisions—which was based on the participant's selected benefit option.

Our scope included all dental claims on the claims tapes provided in January and February 2006 by BCBST. This inspection was conducted in accordance with the "Quality Standards for Inspections."

FINDINGS AND RECOMMENDATIONS

Our review of the TVA dental claims found 728 charges for preventive services, pertaining to 249 claims, which were not adjudicated in accordance with the TVA dental plan provisions. Per BCBST personnel, the preventive service overpayments were caused by a BCBST system configuration error that caused some preventive services to receive 100 percent coverage for employees who had elected Option 2. All but 16 of these charges were previously identified by TVA Employee Benefits and BCBST had reimbursed TVA in the amount of \$5,353.22. BCBST personnel stated that reimbursement for the remaining 16 charges identified by our review will be forthcoming, and the system configuration error has been corrected.

We also identified 50 charges related to 18 claims which we were unable to reconcile/verify without obtaining further information from BCBST. These claims involved coordination of benefits (COB) with other insurance companies. Specifically, the TVA claims tapes, which are provided by BCBST to support invoiced amounts, do not include fields showing the savings resulting from the other insurance company's involvement.

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Without this data, the claims did not appear to have been adjudicated properly. At our request, BCBST provided screenshots showing the details of the charges, including the TVA savings and amounts paid by the other dental insurance providers. The additional data showed the COB claims we reviewed appeared to be properly adjudicated.

RECOMMENDATIONS

The Senior Manager, Employee Benefits, should request that BCBST include all information in the dental claims tapes needed to perform a reconciliation of COB claims.

The subject final report is being provided for your review and action. Please advise us of your planned actions in response to our findings within 60 days of the date of this report.

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If you have any question, please contact Rick Underwood, Senior Auditor, at (423) 751-3108 or Gregory C. Jaynes, Deputy Assistant Inspector General, Inspections, at (423) 751-7821. We appreciate the courtesy and cooperation received from your staff during the review.



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Assistant Inspector General
(Audits and Inspections)
ET 3C-K

RCU:BJA
Attachment

cc (Attachments):

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